

Unemployment Insurance

During this country's Depression Era, President Franklin D. Roosevelt prevailed on Congress to pass the Social Security Act of 1935 as part of his "New Deal" legislative program.

This program established a joint federal-state system of unemployment insurance, offering the first economic line of defense against the effects of unemployment. By payments to laid-off workers, it ensured that at least a portion of the necessities of life (food, shelter, and clothing) could be obtained while a search for work took place.

The Employment and Training Administration in the U.S. Department of Labor is responsible for administering the law, although each state has its own unemployment insurance laws and operates its own program. Over the years, Congress has extended the program to many workers who were not initially covered. By 1994, more than 96 percent of all workers in the United States were covered by unemployment insurance.

The Social Security Act of 1935, amended many times, provides for a sliding scale of payroll taxes for the nation's employers. In other words, employers whose records show that their businesses experience little employee turnover receive lower rates. The taxes collected are used to fund the payment of unemployment benefits to those unemployed workers who qualify.

Together the Federal Unemployment Tax Act and the Social Security Act established the framework for administering and financing the unemployment insurance system. The Federal Unemployment Tax Act generally determines covered employment and imposes certain requirements on state programs, but

The original plan to help the unemployed with a weekly benefit payment has evolved over the years to include many other services. Even though every state has its own unique program, they all share a common goal — to provide a means of income and help to become re-employed.



Doris Martin is the Federal Programs supervisor.

Social Security Act, the individual states have been free to develop the particular program that seems best suited to conditions prevailing within the state. Consequently, no two states' unemployment insurance laws are alike.

The unemployment insurance

states generally determine individual qualification requirements, eligibility, weekly benefit amounts, and the duration of benefits.

In the federal-state system of unemployment insurance established in this country under the

weekly benefit amount is approximately 50 percent of an average worker's wage earned during the base period of the unemployment claim but cannot exceed the maximum benefit allowed by the state. The intent of the program is to provide short-term assistance for unemployed workers until they become employed again.

During the 2002 calendar year, Arkansas paid 1,499,997 weeks of total and partial unemployment benefits, with \$211.97 being the average weekly benefit amount.

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Kitty Boyland, an interviewer at the Arkansas Employment Security Department's Little Rock Office, processes an unemployment insurance claim.

Regular Unemployment Insurance

	<u>2001</u>	<u>2002</u>
Initial Claims	283,712	259,725
Weeks of Unemployment Claimed	1,865,198	1,980,089
Weeks of Unemployment Compensated	1,385,832	1,499,998
Amount Compensated	\$292,265,783.53	\$323,494,359.56
Monetary Determinations	152,954	162,232
Nonmonetary Determinations	68,412	74,393
Appeals Decisions	12,605	15,282
Active Employers, December 31	59,757	60,668

Weekly Benefit Amount

	<u>2001</u>	<u>2002</u>
Minimum Weekly Benefit Amount	\$57 & \$60	\$60 & \$62
Maximum Weekly Benefit Amount	\$321 & \$333	\$333 & \$345

The minimum and maximum weekly benefit amounts change for benefit years beginning on July 1 of each calendar year. Minimum benefit amounts are 12 percent, and maximum benefit amounts are 66 2/3 percent of the previous year's average weekly wage.

UI Nonmonetary Determinations

	<u>2001</u>	<u>2002</u>
Total Single Claimant Determinations*	68,412	74,393
Total Disqualifications	53,606 100.0%	56,971 100.0%
Disqualifications by Issue		
Availability	7,691 14.3%	7,973 14.0%
Voluntary Quit	14,995 28.0%	16,682 29.3%
Misconduct	16,289 30.4%	18,246 32.0%
Refusal to Work	340 0.6%	464 0.8%
Remuneration and Miscellaneous	14,291 26.7%	13,606 23.9%

**Regular Unemployment Insurance*

Unemployment Benefit Appeals Decisions

	<u>2001</u>	<u>2002</u>
Total Single Claimant Appeals Processed	12,605	15,282
Appeal Tribunal (Lower Authority)	10,645	12,912
Board of Review (Higher Authority)	1,960	2,370

Federal UI Programs — UCFE & UCX

	<u>2001</u>	<u>2002</u>
Federal Employees (UCFE)		
Initial Claims	488	627
Weeks of Unemployment Claimed	8,260	8,720
Weeks of Unemployment Compensated	12,827	11,979
Amount Compensated	\$2,470,442.00	\$2,864,705.00
Ex-service members (UCX)		
Initial Claims	124	123
Weeks of Unemployment Claimed	6,182	7,685
Weeks of Unemployment Compensated	6,481	8,101
Amount compensated	\$1,855,437.00	\$2,595,329.00

Arkansas' Unemployment Insurance program provides help to workers, businesses, and communities that have been affected by lost jobs and payrolls.

Workers who have sufficient earnings in covered employment can qualify for weekly benefits, which help them to withstand the financial and emotional impact of unemployment.

Benefit payments also help the community by delaying the full monetary impact of major business closures and/or mass layoffs.

The unemployment insurance claims process involves several steps. When a new claim is filed, a determination must be made as to whether there are sufficient wages from which to draw benefits. If the worker is monetarily eligible, benefit payments can be made as long as they are otherwise qualified.

Issues arise which, if valid, result in the postponement or elimination of payments. When any issue is discovered during the claims process, an investigation is made. AESD gathers facts to determine whether benefit payments should continue. This process is called the nonmonetary determination process.

Following the nonmonetary determination, a written decision is rendered. It contains a summary of the section of the Arkansas Employment Security Law used to decide the issue and presents a statement showing the facts that were considered in the case.

Instructions for filing an appeal also are included. Agency nonmonetary determinations become final if no appeal is filed within the time period allowed.

The Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex-service members programs are cooperative arrangements between the U.S. Secretary of Labor and the Arkansas Employment Security Department. The UCFE program is for federal civilian employees, and the UCX program is for those who have been honorably discharged or released from serving active military duty.

The Trade Adjustment Assistance program is a federally-funded program designed to assist workers adversely affected by foreign competition. This program consists of two parts: Trade Adjustment Assistance (TAA) [under the Trade Act of 2002, the North American Free Trade Agreement (NAFTA), and the Trade Act of 1974], and Trade Readjustment Allowances (TRA).

Under the Trade Act of 1974, as amended, workers whose employment is adversely affected by increased imports may apply for TAA. This program assists affected workers with a variety of benefits and re-employment services to help the unemployed workers prepare for and obtain suitable employment. Workers may receive assistance in skills assessment, job search workshops, job development, job referral, and job placement. In addition, workers may be eligible for training, job search allowances, a relocation allowance, and other re-employment services. A weekly Trade Readjustment Allowance (TRA) may be payable to eligible workers following their exhaustion of unemployment benefits. Usually, TRA benefits will be paid only if an individual is enrolled in a TAA-approved training program.

To qualify for TRA benefits, individuals must be in a TAA-approved training program, have completed a training program approved by TAA, or have a waiver of the training requirement. All rights to unemployment benefits must be exhausted before receiving TRA benefits. Weekly TRA benefits are generally the same amount as the state unemployment benefits received before the individual exhausted rights to such benefits and became eligible for TRA benefits.

The eligibility period for basic TRA benefits is the 104-week period beginning with the first week, which follows the week of the qualifying individual's most recent total separation within the certification period. The maximum amount of TRA benefits that may be received during this period is 52 times the individual's weekly TRA benefit amount minus all entitled unemployment benefits. Up to an additional 26 weeks of TRA benefits may be received if training is applied for within 210 days

Trade Readjustment Allowances

	<u>2001</u>	<u>2002</u>
Active Companies, End of Period	29	39
Number of Newly Eligible Individuals	376	339
Weeks of Unemployment Compensated	14,378	6,605
Amount Compensated*	\$3,838,410	\$1,457,976

**Includes training and transportation costs*

North American Free Trade Agreement - Trade Adjustment Assistance

TRAINING BENEFITS

	<u>2001</u>	<u>2002</u>
New Petitions Approved by DOL	8	11
New Participant Training Enrollments	144	209
Participant Costs*	\$311,250	\$448,363

**These costs include Job Search, Relocation, Training, and Travel. Costs do not include Trade Readjustment Allowance payments.*

Trade Act of 1974 - Trade Adjustment Assistance

TRAINING BENEFITS

	<u>2001</u>	<u>2002</u>
New Petitions Approved by DOL	16	27
New Participant Training Enrollments	464	488
Participant Costs*	\$1,017,341	\$1,343,689

**These costs include Job Search, Relocation, Training, and Travel. Costs do not include Trade Readjustment Allowance payments.*

of the date of the last total or partial separation or within 210 days of the certification date. Such additional weeks must be necessary for the individual to complete an approved training program. Emphasis is placed on helping claimants return to gainful employment.

The North American Free Trade Agreement of 1994 created Trade Adjustment Assistance (NAFTA-TAA) for workers who lose their jobs or whose hours of work and wages are reduced as a result of the implementation of NAFTA. NAFTA-TAA covers those cases where production has shifted by the firm or subdivision to Mexico or Canada. All NAFTA-TAA individuals must be in approved TAA training to qualify for TRA benefits.

The Trade Act of 2002 (Public Law No. 107-210) became effective Nov. 4, 2002. This new legislation reauthorizes the TAA program through Sept. 30, 2007, and makes certain changes to the program. The law includes language to extend TAA benefits to: (a) secondary workers – those who work for suppliers or contractors of companies adversely affected by trade; (b)

downstream workers who were affected by trade with Mexico or Canada; and (c) certain workers who have been laid off because their firm has shifted its production to another country that has a free trade agreement with the United States, that has a unilaterally preferential trading agreement with the United States, or when there has been or is likely to be an increase in imports or relevant articles.

The Trade Act of 2002 combines the TAA and NAFTA-TAA programs, establishing a single program with a single set of group eligibility criteria and a single set of procedures and standards for filing and reviewing petitions, certifying eligibility, and terminating certification of eligibility.

The accompanying tables provide TRA and TAA data for the NAFTA and Trade Act of 1974 programs for new petitions (companies), participants enrolled in training, and participant costs for Calendar Years 2001 and 2002.

For more information, contact your local Arkansas Employment Security Department office.

Disaster Unemployment Insurance

	<u>2001</u>	<u>2002</u>
Workers Filing New Claims	1,172	0
New Workers Eligible	971	0
Amount Drawn	\$434,539	\$0

The Disaster Unemployment Assistance program became law under provision of the Disaster Relief Act of 1974. Under this act, the president of the United States determines a major disaster area.

The unemployment of a worker is deemed a result of a major disaster if the worker lived or worked in that area and his unemployment is a direct result of the disaster.

No disaster unemployment assistance was declared during 2002.



Alice Rowe is the Unemployment Insurance Interstate Unit supervisor.

Viewers are invited to click on the following link to view Unemployment Insurance statistical data from 1945 through 2002:
www.accessarkansas.org/esd/General/uihistdata.htm.



Randal Kingston is an unemployment insurance technician in the UI Technical Unit.

Employers provide unemployment insurance coverage for their workers by contributing to the Arkansas Unemployment Insurance Trust Fund and the Federal Unemployment Trust Fund.

The regular UI program provides benefits to claimants based on provisions of the Arkansas Employment Security Law.

Most of the benefits received by Arkansas' claimants are paid from the regular UI program. Employers pay contributions based on their payrolls and the difference in the amount they have contributed and the amount of benefits charged to their account in the past.

The amount of each employee's pay that was subject to taxation was \$9,000.

Unemployment Contribution Rates

	<u>2001</u>	<u>2002</u>
New Employer Rate (Includes .4% stabilization tax)	3.2%	3.3%
Range of Rates (Includes .4% stabilization tax)	.4% to 6.3%	.5% to 8.4%
Average Tax Rate	1.8%	1.9%

Legal

Calendar year 2002 was an eventful and busy one for the Arkansas Employment Security Department's Legal Department.

More than 270 new cases were referred for criminal prosecution involving paid claims totaling over \$614,000. These cases were based on fraudulent misrepresentations in filing claims for unemployment benefits. Although AESD is not seeking to imprison offenders, it is determined to recover funds fraudulently obtained. The courts have been cooperating by imposing fines and ordering defendants to make restitution as a condition of probation. These efforts help protect the integrity of the UI Trust Fund.

In addition to funds recovered as a result of criminal prosecution, Benefit Payment Control collected more than \$275,000 by way of state income tax intercepts in payment of prior overpayments. The legal office collected in excess of \$157,000 by civil process.

In September, an additional associate general counsel was added to the staff to assist in reducing loss to the Trust Fund because of fraud. He is Conley Meredith. At AESD, he is working to prevent loss to the Trust Fund by perfecting early detection techniques and by ensuring prosecution of those who receive payments as a result of fraudulent misrepresentations.

Associate General Counsels Allan Pruitt and Phyllis Edwards have been especially taxed this year. There were



Conley Meredith is an associate general counsel at the Arkansas Employment Security Department.

385 appeals concerning claims for benefits filed to the Arkansas Court of Appeals, a 30 percent increase over those in 2001. Of course AESD continued to deal with issues involving contract and employment law, and much time was spent preparing for the legislative session that began in January 2003.



Kim Jones is the assistant personnel manager.

Personnel

The Arkansas Employment Security Department is a diversified agency with dedicated full-time and intermittent staff.

Likewise, the staff of Personnel Administration is dedicated to providing quality service to its customers, both internal and external. Between January 1, 2002, and December 31, 2002, this unit processed approximately 4,720 applications/resumes. There were 61 separations/retirements, 98 new hires/promotions, and countless intermittent hires and separations.

In spite of this fact, the overall staffing level remained relatively constant with an average of 530 permanent employees and 230 intermittent personnel active on the payroll.

Personnel Administration stands ready to assist management and employees with their human resource needs. The delivery of human resource services to management/employees is our business, and we look forward to assisting you.

New Hire Registry

The Arkansas New Hire Registry owes its success to employers.

Created by Act 1276, the registry collects new hire information for use by state agencies and serves as a liaison between the Arkansas Employment Security Department, Arkansas Department of Human Services, and the Workers' Compensation Commission. It also enters into agreements with state and federal agencies as necessary and acts as a repository and tracking system of newly-hired and returning employees within the state.

The new hire information is used to locate noncustodial parents who owe child support in Arkansas. It is also used to detect and prevent unemployment insurance fraud, workers' compensation fraud, and other types of public assistance fraud.

Employers are the essential link both in locating noncustodial parents and in with-

holding income from their paycheck. No other child support collection method is as effective as income withholding. Not only does new hire reporting help children, it also helps taxpayers. The lack of child support forces families onto public assistance, which forces taxpayers to meet the delinquent parent's child support obligation.

All Arkansas employers — private, non-profit, and government — must report all employees who live or work in Arkansas. Out-of-state employers who hire employees who work in Arkansas must report also. The employer must report any employee who fills out a W-4 form, whether full-time, part-time, or student workers.

Employers must report a new hire within 20 days of hiring an employee.

Reports should be sent to the Arkansas New Hire Reporting Center, P.O. Box 2540, Little Rock, AR 72203. For more information about the reporting methods, employers may call the reporting center at (501) 376-2125.



Bert Dickey is the Arkansas New Hire Registry administrator.

January 1 - December 2002

New Hires 988,032

Parents in arrears
who were located 29,195

Employers submitted their new hires:
electronically — 74 percent
mail — 20 percent
fax — 6 percent

Information Technology Support Unit

The Arkansas Employment Security Department's Information Technology Support Unit plays an essential role in meeting employees' technology needs and making sure the agency stays on the technological bandwagon.

The PC Support Section is one such unit. It is comprised of seven staff members and is primarily responsible for the repair and maintenance of computer equipment and the agency Help Desk. This includes support for more than 700 AESD staff and 1,200 PCs in 50 locations around the state. Personal computers have become so necessary for the agency's staff to carry out their everyday tasks that almost every staff member has a personal computer assigned to him. Any interruption in the operation of his computer means less productivity, which translates into less efficient service for the people he serves.

The AESD Help Desk staff receives more than 40 trouble calls per day. Questions and inquiries to the PC System Support Help



Norman Pollard is a PC Support technician.

Desk may range from restoring simple dial-tone service to solving complex network connectivity problems.

PC Support also works closely with vendors to ensure the agency receives quality computer products and services. One vendor is Gateway Computers Inc. Through the Gateway Authorized Service Provider Program, AESD receives monthly warranty reimbursements for the repair of Gateway Products. In 2002, AESD was reimbursed more than \$7,000.

The Application Development Section is another support unit within Information & Technology. Its primary responsibilities are to offer enterprise software solutions that simplify the way people do business and empower users to get their jobs done more easily and accurately. It also provides maintenance support for existing legacy and Web/client-based applications.

This section is comprised of 14 staff members, 12 permanent, and two contractors. The employees offer more than 100 years of application development experience from legacy applications written in COBOL to Web and client server applications written for various platforms.

This section is responsible for the redesign of the agency's Web page, the writing of the interface to the state's accounting systems (AASIS), and enhancements to existing applications to ensure that the unemployed citizens have access to President Bush's extended benefits package.

This section also works with other state and federal agencies and private vendors to provide enterprise solutions for AESD and its clients.